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Top Secret

25X1

Contents**Belgium: Growing Risks for INF** 1**India: Opposition Trying To Unite** 2**Notes****USSR-Philippines: Cosponsoring Peace Conference** 3**OPEC: More Price Problems** 3

25X1

South Africa-US: Reaction to Protests 5

25X1

Saudi Arabia-France-UK: Shopping for Weapons 6**Turkey-Western Europe: More Strains** 6**France-USSR: Requirements for Gas** 7**Mexico: Imports of Military Equipment** 7**Tunisia: More Belt Tightening Ahead** 8**In Brief** 9**Special Analyses****El Salvador: Dialogue Tactics** 11**Western Europe-Middle East: New Peace Initiative** 13**Grenada: Election Prospects** 15

25X1

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25X1

29 November 1984

Top Secret

25X1

BELGIUM:**Growing Risks for INF**

Prime Minister Martens will attempt to limit the impact of his party's call for postponement of cruise missile deployment, but the prospects for INF in Belgium have dimmed.

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Opponents of INF are calling the Flemish Social Christian statement a victory, while the Liberals—junior partners in the center-right coalition—have accused the Social Christians of going back on a NATO commitment.

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The US Embassy in Brussels reports that the Cabinet will meet tomorrow to try to formulate a statement on INF acceptable to the four coalition parties. The Belgian representative to NATO, meanwhile, warns that strong pressure from the Allies will be required to overcome Social Christian nervousness about deployment.

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Comment: Although Martens supports INF, his principal goal at this time is to avoid a Cabinet crisis that would force an early election. He probably can pacify the Liberals but only by promising to decide early next year whether to proceed with initial deployment.

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Martens probably will point to the forthcoming meeting between Secretary Shultz and Soviet Foreign Minister Gromyko, and to Martens' own Washington visit in January, as the time to review arms-control prospects. He also may emphasize that technical preparations at the Florennes base site remain on schedule.

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In addition, Martens probably will have to convince his party that he can hold off an election until late next year, in the hopes that INF will not be a major election issue by that time.

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Prospects for INF would be badly damaged if an election were held before deployment begins and the Social Christians and Liberals were to lose their current parliamentary majority. The Flemish Socialists remain adamantly opposed to INF, and the Walloon Socialists would find it difficult to endorse INF deployment. At the least, INF would again become subject to bargaining between Belgian parties, and deployment could be put off indefinitely.

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29 November 1984

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29 November 1984

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INDIA:**Opposition Trying To Unite**

Efforts by India's opposition parties to unite against Prime Minister Gandhi's Congress Party in the national election next month are foundering on longstanding differences and as a result of the short deadline. [redacted]

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The press reports that so far key non-Communist opposition parties have tentatively agreed to pool their votes in only 200 of the 514 constituencies being contested on 24 and 27 December. [redacted]

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[redacted] Yesterday was the last day for candidates to register, and tomorrow will be the deadline for their withdrawal. [redacted]

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Comment: Rajiv's decision to hold the election before the 20 January deadline has caught the opposition off balance, and Indira Gandhi's death has deprived it of its only unifying objective—her defeat in the election. The formation of a new political party that includes parties from both existing non-Communist opposition alliances has disrupted existing negotiations and strained relations among opposition leaders. [redacted]

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Opposition leaders are likely to engage in intense bargaining through tomorrow as they try to reduce the number of competing opposition candidates. [redacted]

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USSR-PHILIPPINES: Cosponsoring Peace Conference

[] the Soviet-controlled World Peace Council is cosponsoring a peace conference with the Philippines Peace and Solidarity Council at the University of the Philippines early next month. Representatives from peace groups throughout the region, as well as from Soviet-front organizations, are expected to attend. The conference, whose major theme will be to warn against the danger of nuclear war in Asia, will be the first of its kind organized in the Philippines. []

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Comment: The Soviets are hoping to capitalize on the political and economic turmoil that has prevailed in the Philippines since the assassination of opposition leader Benigno Aquino last year. The conference will give them an opportunity to broaden their limited contacts with students, journalists, leftist intellectuals, and labor officials throughout the region. Moscow may also believe that the convention will provide momentum to the antinuclear movement in the Pacific, which enjoys wide support in New Zealand and Australia.

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OPEC: More Price Problems

Oil output in November evidently will top OPEC's ceiling of 16 million barrels per day by as much as 1 million barrels per day, despite the decision by the cartel last month to reduce production quotas to restore stability to the market. Nigeria, Iraq, Indonesia, and the UAE have been the principal violators, and most other members are paying only lipservice to newly assigned quotas. As a result, spot prices for most crudes have fallen 25 to 75 cents per barrel in the past week.

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Comment: Unseasonably warm weather, overproduction, and price discounting continue to undermine OPEC's official price structure. Persistent price weakness already has forced several major US oil companies to reduce posted prices, and North Sea oil producers may be forced to cut official prices unless spot prices strengthen appreciably soon. Any further price cuts by non-OPEC producers will probably spur additional reductions by Nigeria or other OPEC members. []

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SOUTH AFRICA-US: Reaction to Protests

Pretoria has responded angrily to protests by black Americans outside the South African Embassy in Washington as it proceeds with further actions against internal opponents. The South African Ambassador to the US sharply criticized Washington for allowing protesters to enter the Embassy last week and compared that incident to the takeover of the US Embassy in Tehran in 1979.

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Comment: The South African Government may hope to use the growing activity by antiapartheid groups in the US as a pretext for urging Washington to align itself with Pretoria's program of gradual racial reform. South Africa's crackdown against internal black activists, which has prompted the recent demonstrations in the US, is likely to continue and may even become more severe, leading to added international censure of Pretoria.

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SAUDI ARABIA-FRANCE-UK: Shopping for Weapons

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[redacted] a French sales team arrived in Saudi Arabia on Tuesday at the request of King Fahd to discuss the sale of 40 Mirage 2000s. Last week, both British Defense Secretary Heseltine and the Royal Air Force Chief met with the Saudi Defense Minister in Riyadh. The US Embassy says Heseltine also met with King Fahd. The talks included discussions of a possible Saudi purchase of Tornado aircraft and Challenger tanks. [redacted]

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Comment: The Saudis are courting the French and the British before Secretary Weinberger's visit to Riyadh next week in order to emphasize that Riyadh has acceptable alternatives if its request to the US for 40 more F-15s falls through. In view of this bargaining position, Riyadh probably will rebuff any efforts to link the F-15 sale with other forms of security cooperation or with Saudi flexibility on regional political issues. Although the Saudis prefer US weapons—especially combat aircraft—Riyadh has grown less tolerant of the complex US Congressional review process. [redacted]

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TURKEY-WESTERN EUROPE: More Strains

A decision by the Council of Europe's Committee of Ministers to defer until spring a Turkish bid for the chairmanship is causing new tension in Ankara's relations with the West Europeans. This action, which is linked to European concerns about Turkey's democratic credentials, parallels the refusal of the European Parliament last week to name a delegation to a joint commission. The Turkish Foreign Minister has withdrawn from the Committee of Ministers, and Prime Minister Ozal has warned that Turkey may withdraw from the Council of Europe. Various press reports indicate that the Turks may consider other actions, such as reversing their decision to purchase the European-produced airbus. [redacted]

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Comment: Ankara suspects ulterior motives on the part of some West European governments—particularly Greece—in rejecting its bid. Council consideration next week of a human rights complaint that was filed against Turkey by five nations last year could further complicate relations. Nevertheless, Turkey will hesitate before taking any precipitate actions, lest it jeopardize potential EC aid funds and the political progress it achieved earlier this year when the Council agreed to seat a Turkish delegation after a four-year hiatus. [redacted]

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FRANCE-USSR: Requirements for Gas

Limited French demand for Soviet natural gas may reduce France's interest in the further development of Soviet resources, at least for the next two or three years. Officials of Gaz de France have told the US Embassy that the French Government will not allow gas supplies from any single foreign country to account for more than 5 percent of total French energy demand. They claim that Soviet deliveries under present contracts will meet French requirements for the remainder of the 1980s and that the ruling effectively bars any new Soviet gas contracts. The Embassy also reports that French officials are disappointed with their failure to renegotiate the price of Soviet gas under current contracts. [REDACTED]

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Comment: France's inability to negotiate a better deal and its unwillingness to expand Soviet imports limit any direct benefits from cooperating with the Soviets on a new pipeline. If Moscow were to insist on linking the purchase of French equipment and technology to signing new gas contracts, there would be little incentive for France to support construction of a second pipeline. Nonetheless, France almost certainly would not support any embargo in view of its past opposition to embargoes and its other commercial interests with the USSR. [REDACTED]

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MEXICO: Imports of Military Equipment

Defense officials appear to be succeeding in resuming substantial imports of equipment in 1985, despite the country's serious economic problems. Mexican officers recently told the US defense attache that plans are proceeding for a new order of US F-5 jets, to cost more than \$150 million. [REDACTED]

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[REDACTED] Up to now, fiscal restraints have limited orders to smaller, more practical items, such as ammunition, spare parts, and mobile communication gear. [REDACTED]

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Comment: Deliveries of expensive equipment, largely unsuited to current internal security needs, would be the strongest indication to date of the armed forces' unusually favorable standing under the de la Madrid administration. The military has already been granted supplemental appropriations for force expansion and pay raises that far outstrip civilian wage gains. The purchase of showy equipment would worsen budget overruns that are already complicating IMF consultations and would reduce funds available for social expenditures before next year's elections. [REDACTED]

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TUNISIA: More Belt Tightening Ahead

The US Embassy in Tunis says that government officials are putting final touches on an austerity budget for next year. Spending is to drop about 5 percent in real terms from this year. Price increases will be phased in for all subsidized goods, including food and petroleum, and wage levels will remain frozen for the third year. These adjustments will boost inflation from the current annual rate of 10 percent to about 14 percent in 1985 and will require an additional \$320 million in foreign borrowing to cover the projected deficit.

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Comment: Price increases on cereal products and cooking oil—those considered most likely to cause domestic unrest—will be delayed until July. Nevertheless, riots may be provoked by the combination of inflation and no wage increases, as the purchasing power of the poor and unemployed continues to erode. Prime Minister Mzali's handling of the wage and price issues will have a substantial impact on his prospects for succeeding the ailing President Bourguiba.

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IRAN-IRAQ: Economies Facing Mounting Problems

The special analysis in the *Daily* on 28 November should have stated the war-related price discounts and a weak market probably will cause oil earnings to be only about **\$16 billion** in 1984, compared with \$19 billion in 1983.

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In Brief

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Americas

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— [redacted] **Libya** to open People's Bureau in **Suriname** soon . . . moderates in Surinamese Government are opposed . . . Army Commander Bouterse may decide Libyan offers of economic aid justify the risks. [redacted]

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— Military crackdown controlled second day of protests in **Chile** . . . scattered bombings, some violence by slumdweller, and clashes with university students resulting in many arrests . . . middle-class participation reduced from Tuesday. [redacted]

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— Communist-controlled labor confederation in **Peru** leading nationwide strike today . . . refusal by democratic labor groups to participate probably will limit effectiveness . . . government has declared 30-day state of emergency to minimize possible violence. [redacted]

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South Asia

— **Soviet** media highlighting unscheduled visit by Politburo member Dolgikh to **India** last week . . . meeting with Prime Minister Gandhi followed Premier Tikhonov's visit by only a month . . . reflects Moscow's concern about relations with new government.

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USSR

— **UK** Labor Party leader Kinnock says Chernenko indicates **USSR** has dropped insistence INF missiles be withdrawn from Europe . . . TASS account of meeting does not repeat this assertion . . . implies continued US deployments will be matched by further Soviet "counterdeployments."

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Eastern Europe

— **Hungary** reportedly outraged by **Czechoslovakia's** decision not to sell it automobiles next year . . . Hungary has no auto industry . . . Prague selling all it can in the West . . . Prague's desire for hard currency outweighs CEMA cooperation.

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Western Europe

— **Norway's** Parliament probably will approve \$44 million defense budget supplement tomorrow . . . would enable Oslo to exceed NATO goal of 3-percent real growth in defense spending for 1984 . . . key readiness programs still being cut.

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Africa

— Dissension within **Nigeria's** military council may lead Head of State Buhari to resign soon, . . . General Babangida, a moderate, apparently hoping to replace him . . . might set off widespread military unrest.

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Special Analysis**EL SALVADOR:****Dialogue Tactics**

The second round of talks tomorrow is unlikely to produce any breakthrough on substantive issues, as neither the government nor the insurgents appear to have clearly defined strategies. Both sides, therefore, are likely to focus largely on procedural matters governing subsequent talks while also probing for some propaganda or other advantage. At the same time, the government—and to a lesser extent the guerrillas—may be increasingly wary of the attitudes of their respective hardline supporters, who view the talks with growing skepticism.

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The government will be represented by three of President Duarte's top political advisers and by Deputy Minister of Defense Colonel Lopez Nuila, who has supported Duarte's policies more than many in the officer corps. The insurgents have stated that, in Duarte's absence, they will send only second-echelon representatives.

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The absence of moderate rightist civilian and other opposition groups from the government delegation is likely to reinforce perceptions at home and abroad that the initiative remains largely Duarte's. His efforts to suggest broad unity were also recently undercut by the public withdrawal of support from conservative private-sector leaders.

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For their part, insurgent leaders probably will want to avoid the tactical disagreements and recriminations that reportedly surfaced in their hierarchy following last month's talks at La Palma.

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Evolving Strategies

Both sides continue to view the military situation as a way to demonstrate their strength and buttress their bargaining positions. The government is, therefore, maintaining aggressive operations throughout much of the country against the insurgents.

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The insurgents' political tactics are likely to focus on issues they believe will bring propaganda gains and possibly also sow dissension in government ranks. these may include an offer of a cease-fire, a demand for amnesty for all guerrilla combatants and sympathizers, and freedom for all political prisoners.

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Concerned that a negative reaction to such proposals would offset the political gains Duarte made by initiating the talks, government representatives probably will counter with stipulations they know the insurgents will reject. [REDACTED]
 these would include a ban on all guerrilla operations against economic targets and recognition of the government's right to maintain order throughout the country. [REDACTED]

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Pitfalls for Both Sides

Both sides will strive to appear sufficiently conciliatory to meet increasing domestic and international pressures for a peaceful settlement, but neither can afford to make commitments at this point that might alienate its military colleagues. Insurgent negotiators are aware that rebel military leaders will reject any agreement short of power sharing. Nevertheless, these same leaders probably would support a temporary cease-fire because it would give them time to regroup and resupply and possibly would halt the Army's momentum.

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Senior Salvadoran officers continue to be anxious over how to achieve a cessation of hostilities that does not favor the guerrillas. Although [REDACTED] Duarte had won an agreement for an insurgent cease-fire proposal from his senior commanders last week, [REDACTED] many military leaders remain suspicious of any such government or guerrilla initiative. [REDACTED]

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The President probably continues to believe that the potential political and psychological gains of a cease-fire outweigh the tactical risks that concern his military officers. Nevertheless, recent press reports suggest Duarte, despite the acquiescence he has won from the military, may not insist on an early cease-fire. He probably appreciates the intensity of the military's reservations and fears provoking a confrontation with his key commanders at this point.

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Special Analysis

WESTERN EUROPE- New Peace Initiative MIDDLE EAST:

The EC Summit in Dublin on 3 and 4 December is likely to approve a modest initiative to reinvigorate the Arab-Israeli peace process and to protect West European interests in the Arab world. EC members, nonetheless, continue to believe that the US is better able to promote a settlement and that the EC should limit itself to complementary action. The Summit will therefore reiterate established EC policies on a Middle East settlement and authorize a factfinding mission to the region early next year but will not propose any independent EC mediation role.

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Several EC members, including the UK, Italy, and West Germany, have proposed that the Community take a more active role in the Arab-Israeli peace process. They want to highlight their concern about the Palestinian problem in order to safeguard important economic interests in the Arab world. They also worry that a continuing stalemate might prompt moderate Arab countries to resort to military confrontation or to turn to the USSR and encourage the Palestinians to return to widespread terrorism.

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Other Concerns

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Almost all EC members, including the French, particularly want the US to resume active efforts to carry out the US plan and wish to avoid actions that might jeopardize US chances for success. EC members believe that the US is uniquely capable of promoting progress toward a settlement because Washington enjoys close ties with both Israel and the moderate Arab countries.

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Outlook

EC Foreign Ministers already have agreed that the Summit will issue a brief statement urging renewed progress toward an Arab-Israeli settlement and reiterating the principles of the Venice Declaration of 1980. The Declaration calls for Palestinian "self-determination" and the association of the PLO in the peace process. [REDACTED]

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The new initiative is to call on the EC to mount a diplomatic mission to the Middle East early next year in order to ascertain current views on a settlement. The mission would refrain from active mediation, and its actions would be coordinated with the US. [REDACTED]

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EC leaders are likely to approve the initiative and to reject a possible proposal by Greek Prime Minister Papandreu that the Community devise a more ambitious peace initiative. Because the Summit statement will not be announced as a "declaration" of policy, EC members hope to avoid raising Arab expectations that they regard the initiative as an alternative to the US plan. [REDACTED]

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Nonetheless, they almost certainly hope that the statement and the ensuing factfinding mission will demonstrate EC sympathy for the Palestinian cause and remind the US of the Community's desire for renewed peace efforts. [REDACTED]

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Special Analysis**GRENADA:****Election Prospects**

The New National Party—the three-party centrist coalition led by Herbert Blaize—probably will win at least 12 of the 15 legislative seats at stake in the election on Monday.

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Former Prime Minister Gairy's rightwing Grenada United Labor Party is unlikely to win more than three seats. The leftist Maurice Bishop Patriotic Movement has fielded 13 candidates, and five members of a small centrist party and four independents also are running, but public opinion polls indicate that these candidates will not win any seats.

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The polls show that Grenadian voters are primarily concerned that the election produce a strong government capable of maintaining political stability and solving the country's severe economic problems. The New National Party has emphasized the themes of peace, stability, and prosperity more effectively than has its principal rival. The centrist coalition apparently has been able to overcome organizational and financial problems, and its campaign has generated strong enthusiasm among voters, according to the Embassy.

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The new government will face several challenges after assuming office. Differences among the moderates over power sharing are likely to resurface after the election, undercutting coalition unity.

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The new government also will have to move quickly to revitalize the economy, a process that will require substantial foreign investment. Grenada, however, will have difficulty competing with larger, more economically developed Caribbean nations in attracting foreign capital.

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If the centrist coalition wins but is unable to achieve visible success in resolving Grenada's problems, Gairy's party or the Maurice Bishop Patriotic Movement is likely to benefit. Each would exploit popular dissatisfaction and encourage opposition to the new government.

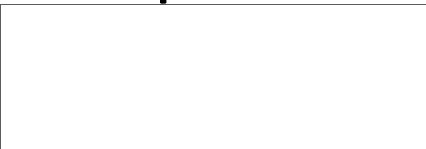
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